



USDA Foreign Agricultural Service

# GAIN Report

Global Agriculture Information Network

Template Version 2.09

Required Report - public distribution

**Date:** 4/18/2006

**GAIN Report Number:** TU6017

## Turkey

## Sugar

## Annual

## 2006

**Approved by:**

Jim Higgiston, Agricultural Counselor  
U.S. Embassy

**Prepared by:**

Unal Sarigedik, Agricultural Specialist

---

**Report Highlights:**

Turkey is projected to produce about 14.7 MMT of sugar beets on 330,000 hectares and 2.2 MMT centrifugal sugar in MY 2007. These are similar to the revised estimates for MY 2006. The share of Turkish Sugar Corporation (TSC) in total production has been decreasing since some refineries were scheduled to be privatized. TSC refineries, burdened with large stocks, were forced them to sell sugar with discounts and/or deferred payments. Total production quotas for sugar and sweetener producers in MY 2007 were the same as in MY 2006. The tariff on sugar imports were unchanged and remained at 135 percent for all origins.

---

Includes PSD Changes: Yes  
Includes Trade Matrix: Yes  
Annual Report  
Ankara [TU1]  
[TU]

**Table of Contents**

<b>Executive Summary .....</b>	<b>3</b>
<b>Production - Beets.....</b>	<b>4</b>
Sugar Beet PSD Table .....	4
<b>Production – Centrifugal Sugar .....</b>	<b>5</b>
<b>Production Policy .....</b>	<b>5</b>
Centrifugal Sugar PSD Table .....	6
<b>Consumption.....</b>	<b>6</b>
<b>Trade.....</b>	<b>8</b>
Export Trade Matrix.....	8
Import Trade Matrix .....	9
<b>Stocks .....</b>	<b>9</b>
<b>Marketing .....</b>	<b>9</b>

**Executive Summary**

It is projected that Turkey will produce about 14.7 MMT of sugar beets in MY 2007 (September 2006 – August 2007) on about 330,000 hectares. These are very similar to the revised estimates in MY 2006. The proportion of the sugar beet production produced by the Turkish Sugar Corporation (TSC) has been declining since some of the refineries have been transferred to the Privatization Administration. It is projected that TSC refineries will be producing 7.3 MMT of sugar beets on about 170,000 hectares and private refineries, including PANKOBIRLIK refineries, will produce a total of 7.4 MMT on about 160,000 hectares.

Turkey maintains production quotas for both sugar and sweeteners. The total production quota for MY 2007 is 2,342,000 MT (refined value), unchanged from previous years. Total centrifugal sugar production is projected to be at 2.2 MMT (raw value). Of this total, TSC refineries (22 in total) are projected to produce 1.05 MMT and private refineries (11 in total) are projected to produce 1.15 MMT. There is also a production quota of 234,100 MT for starch-based sweeteners, again unchanged over the last three years. However, the Council of Ministers, during the previous four marketing years, raised the starch-based sweetener (SBS) quota by 50 percent to 351,150 MT. No announcement has been made concerning SBS quota for MY 2007. However, it is expected that the announcement will be made in September 2006, as were the cases in recent years.

A committee composed of the sugar board members (except for the sweeteners representative) announced a procurement price for sugar prior to planting in MY 2007 (February 2006) for a third time in a row. The price in MY 2007 is YTL 89.90 per MT (for 16 percent polar sugar content) is about ten percent lower than it was a year ago (YTL 98.909 per MT). This base price is for sugar that can be sold in Turkey, which varies depending on the beet sugar content. (Currently USD 1.00 is around YTL 1.35 compared to YTL 1.37 a year ago).

The Government of Turkey (GOT) has been attempting to privatize many government-owned industries, including sugar refineries. In 2005, only the Kutahya and Adapazari refineries were privatized. In addition to those, four refineries were turned over to the Privatization Administration.

Annual per capita sugar and sweetener consumption is estimated to be around 33 kilograms (raw basis). Some sources, however, claim that this has been increasing in recent years due to sugar smuggled from the eastern and southeastern borders, especially from Syria.

Similar to the private refineries, some TSC refineries also started selling sugar with discounts and/or deferred payments since last November to decrease their stocks. The conditions on discounts and deferred payments vary for different refineries from six to twenty percent and/or eight to twelve months.

Elimination of the Sugar Authority, which was established with the Sugar Law to implement the decisions made by the Sugar Board created a lot of uncertainties in the industry (see the Production Policy Section for details). As a result, some sugar and SBS producers were penalized for selling Quota C sugar in the domestic market or producing SBS without a quota. (Quota C sugar is the sugar produced out of the production quota, which is not supposed to be sold in the domestic market.)

### Production - Beets

The sugar beet production in Turkey in MY 2007 (September 2006 – August 2007) is projected to reach 14.7 MMT on about 330,000 hectares land, which is the same to the revised estimate in MY 2006. In MY 2007, the Turkish Sugar Corporation (TSC) farmers are projected to produce 7.3 MMT of sugar beets on 170,000 hectares, compared to 9.6 MMT on 210,000 hectares a year before. The reduction is coming from four refineries that are not under TSC anymore (for details see the Consumption Section). Farmers producing under contracts for private factories, including Central Union of Sugar Beet Producers Cooperatives (PANKOBIRLIK) refineries, are projected to produce about 7.4 MMT of sugar beets on about 160,000 hectares. Sugar beet production area has declined over the past several years as a result of reduced production quotas. Most of the land where sugar beets were produced earlier was switched for growing other crops, primarily corn.

Beet yields in MY 2006 were about 45 MT per hectare for TSC compared to about 42 MT per hectare a year before. In MY 2006, the average sugar content was 13.93 percent for TSC and 14.58 percent for PANKOBIRLIK, both of which are lower than the previous year's levels (14.48 percent for TSC and 14.80 for PANKOBIRLIK in MY 2005).

Sugar beets are produced throughout Turkey and sold under contract with refineries. Refineries require specific crop cultivation techniques for the region. Beets generally are grown in three or four-year rotations with cereals, pulses, fodder crops and sunflower. Planting begins as early as February and continues through May with harvest from late July through November. Approximately 380,000 farms grow sugar beets in Turkey. Planting started about two weeks late this year since the climate was rather cold during the winter months.

**Sugar Beet PSD Table**

Turkey Sugar Beets							
	2005	Revised	2006	Estimate	2007	Forecast	UOM
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	
<b>Market Year Begin</b>		09/2004		09/2005		09/2006	MM/YYYY
<b>Area Planted</b>	330	330	320	330	0	330	1000 HA
<b>Area Harvested</b>	329	329	320	327	0	330	1000 HA
<b>Production</b>	13800	13800	14500	14700	0	14700	1000 MT
<b>TOTAL SUPPLY</b>	13800	13800	14500	14700	0	14700	1000 MT
<b>Utilization for Sugar</b>	13800	13800	14500	14700	0	14700	1000 MT
<b>Utilizatn for Alcohol</b>	0	0	0	0	0	0	1000 MT
<b>TOTAL UTILIZATION</b>	13800	13800	14500	14700	0	14700	1000 MT

The MY 2007 sugar beet procurement price, which is the price at which sugar can be sold in Turkey, is YTL 89.90 per MT (for 16 percent polar sugar content). This price is lower than the price in MY 2006 (YTL 98.909 per MT). This price may increase or decrease depending on the sugar content of the beet crop. MY 2007 marks the third time that a committee that consists of representatives from the Turkish government, TSC and PANKOBIRLIK (almost all members of the Sugar Board except the sweeteners representative) announced a sugar beet

procurement price before planting in February 2006, although according to the 2001 Sugar Law, the government is not supposed to be involved in this process.

Farmers contracting with the TSC are obliged to use TSC-supplied seeds. Although they are free to purchase fertilizer from anywhere they wish, they generally prefer to use TSC fertilizers because payment is due after the harvest. Final payments may not be received until at least March of the following year. The final payment represents a significant portion of a farmer's total return. TSC and PANKOBIRLIK also provide harvesting equipment or harvest services, as needed. Farmers are responsible for other inputs including land, labor, irrigation, and transportation of the beets.

### **Production – Centrifugal Sugar**

Turkey maintains production quotas for both sugar and sweeteners. The total production quota for MY 2007 is 2,342,000 MT (refined value or 2,545,000 MT raw value), unchanged from previous years. Total centrifugal sugar production is projected to be at 2.2 MMT (raw value) since the total quota is discounted for the refineries that carry those stocks. Of this total, TSC refineries are projected to produce 1,050,000 MT (raw value) and the private factories, including PANKOBIRLIK refineries, are projected to produce 1,150,000 MT (raw value).

### **Production Policy**

Turkey adopted a law to regulate the sugar industry in 2001 in accordance with Turkey's IMF obligations. The Law established two operation bodies. The first was the Sugar Authority, which carried the decisions taken by the Sugar Board and inspections and investigations on behalf of the Sugar Board. The second was the Sugar Board, which was a seven-person Board included 4 government officials and one representative each from TSC, PANKOBIRLIK, and SBS producers. The Board was responsible for establishing production quotas for sugar and sweeteners based on the supply and demand for sugar and sweeteners. TSC, PANKOBIRLIK, or the private producer establishes ex-factory sugar prices. The Council of Ministers issued a decree on December 31, 2004 declaring that the Sugar Authority was no longer needed. However, the Sugar Board is still operative, even though it is no longer independent, since it has been operating under the Ministry of Industry and Trade. This has created some uncertainties and problems in the past. As a result, some sugar and SBS producers were taken to court and/or penalized by the Ministry of Industry and Trade for selling quota C sugar in the domestic market or producing without a quota.

The new EU sugar reform, which is expected to take affect this year, will also concern Turkey since Turkey is adopting all of the rules and regulations issued by the EU. Turkey is expected to reduce the sugar prices by 36 percent in the next four years parallel to the EU reform.

Turkey has tried a couple of times to make some changes on the Sugar Law, but has been unsuccessful each time. There is no new study on the Law at this point.

Distribution of the production quotas creates some problems from time to time for both sugar and SBS producers. Three private refineries (Amasya, Kayseri, and Adapazari), which were not pleased with the quota distribution, established a new producers' association called Beet Sugar and Sugar Producers' Association (PANDER) in March 2006. This association will be in competition with PANKOBIRLIK since two members of the new association are also members of PANKOBIRLIK for the last 35 years, but are planning to leave the association.

## Centrifugal Sugar PSD Table

Turkey Sugar, Centrifugal							
	2005 USDA Official [Old]	Revised Post Estimate [New]	2006 USDA Official [Old]	Estimate Post Estimate [New]	2007 USDA Official [Old]	Forecast Post Estimate [New]	UOM
Market Year Begin		09/2004		09/2005		09/2006	MM/YYYY
Beginning Stocks	484	485	583	570	708	710	1000 MT
Beet Sugar Production	2109	2110	2175	2200	0	2200	1000 MT
Cane Sugar Production	0	0	0	0	0	0	1000 MT
TOTAL Sugar Production	2109	2110	2175	2200	0	2200	1000 MT
Raw Imports	0	0	0	0	0	0	1000 MT
Refined Imp.(Raw Val)	0	0	0	0	0	0	1000 MT
TOTAL Imports	0	0	0	0	0	0	1000 MT
TOTAL SUPPLY	2593	2595	2758	2770	708	2910	1000 MT
Raw Exports	0	0	0	0	0	0	1000 MT
Refined Exp.(Raw Val)	50	25	50	20	0	20	1000 MT
TOTAL EXPORTS	50	25	50	20	0	20	1000 MT
Human Dom. Consumption	1960	2000	2000	2040	0	2080	1000 MT
Other Disappearance	0	0	0	0	0	0	1000 MT
Total Disappearance	1960	2000	2000	2040	0	2080	1000 MT
Ending Stocks	583	570	708	710	0	810	1000 MT
TOTAL DISTRIBUTION	2593	2595	2758	2770	0	2910	1000 MT

Total sugar and sweetener quota includes starch-based sweeteners (SBS), which is ten percent of the total quota at 234,100 MT. However, in the previous four years, the Council of Ministers, at the request of the starch industry, raised the SBS quota by 50 percent to 351,150 MT. The Council of Ministers has not yet announced an increase in the SBS quota for MY 2007.

There are five factories with a total capacity of around 900,000 MT producing SBS with a quota in Turkey. Two of these factories have one hundred percent international capital; two have one hundred percent domestic capital and one is a mixture of domestic and international capital. The quantity of corn used to produce SBS and corn-based starch is about 900,000 MT. Two new factories started to produce starch based sweeteners recently, which are owned by the private sector. These factories do not have production quotas and their production capacities are not known, according to industry contacts.

### Consumption

There are a total of 33 sugar refineries in Turkey. Twenty-two are fully owned by TSC and five (Amasya, Kayseri, Konya, Cumra, and newly constructed Bogazliyan) by PANKOBIRLIK. The Privatization Administration privatized the Adapazari refinery last year in addition to the TSC shares in the Kutahya refinery two years ago. The Adapazari refinery, which was not

operating since the major earthquake in 1999, was sold to a sugar beet producers' cooperative and it is now operating. Three additional refineries (Ilgin, Bor, and Eregli refineries) were transferred to the Privatization Administration, but have not yet been privatized. A privately owned refinery in Aksaray has also completed its trial production and allocated quota to produce sugar in MY 2007. PANKOBIRLIK's refineries function independently and are supervised by individual executive boards.

In MY 2006, TSC bought 9.6 MMT of sugar beets for about YTL 989 million (or about USD 730 million), compared to 9.5 MMT of sugar beets and YTL 1 billion the year before. Since only part of the MY 2006 payments were made in advance, TSC still owes nearly half of this amount (YTL 450 million) to farmers. All debts must be paid by the end of April in order to avoid interest payments. TSC does not have any remaining debts from previous years.

Annual per capita sugar and sweetener consumption is estimated to be around 30 kilograms (refined basis). Some sources claim that this has been increasing in recent years due to the sugar smuggled from the eastern and southeastern borders, especially from Syria. The same sources indicate that this is happening because of the high prices of sugar in Turkey compared to the lower world prices.

Beginning in MY 2003, TSC and PANKOBIRLIK are setting ex-factory prices independently. The following table provides the ex-factory prices of TSC (8 percent value-added tax [VAT] included) dated June 18, 2004, which have not changed since the last Semi Annual Report (TU5041).

Type of Sugar	June 18, 2004 (YTL/Kg)
Crystal Sugar:	
- In 50 kilogram bags	1.6956
Cube Sugar:	
- In 50 kilogram bags	1.841

(As of April 4, 2006, USD 1.00 is approximately YTL 1.35)

TSC has also started to sell sugar at discounted prices and/or deferred payments since last November. Some of the TSC refineries are providing discounts from six to 20 percent for cash payments and/or eight to twelve month deferred payments for different refineries according to the market conditions. TSC is also selling the sugar produced by those three refineries, which were transferred to the Privatization Administration in MY 2006 with some discounts and/or deferred payments.

Retail prices for sugar are not regulated. A one-kilogram pack of crystal sugar is sold in retail stores in Ankara for about YTL 2.00 to YTL 2.30 per kilogram (around USD 1,480 to USD 1,700 per MT). Consumption of sugar substitutes, including glucose, HFCS, and artificial sweeteners is increasing due to increasing demand for a variety of sweetener products, and the economics of sweetener production. The soft-drink sector is the primary user of SBS.

Sugar beet producer cooperatives are trying to find some new uses for beets. One of the areas that they are interested in is bio-ethanol production. One of the privately owned refineries, Cumra, is also constructing a facility to produce ethanol. The capacity of this facility is 280,000 liters a day and 80 million liters (or 80,000 m<sup>3</sup>) annually. The facility is projected to start trial production on November 15, 2006. Cumra plant needs to process 800,000 MT of sugar beets if it utilizes the full capacity.

## Trade

TSC has reduced its sugar exports in recent years since the level of production and carryover stocks decreased as a result of the reforms in the sugar industry. Turkey is not expected to export significant quantities of sugar in MY 2007 either since the government does not provide any subsidy for exports. The average cost of sugar production in Turkey is about USD 1000 per ton of sugar. About half of this cost is the price of sugar beets. It costs about USD 1,250 to buy one MT of sugar.

The tariff on sugar imports in 2006 for other countries (other than those countries that Turkey has trade agreements with, such as the EU and EFTA countries and Bosnia Herzegovina-- in case of sugar) remains unchanged from the previous year. There is a 135 percent duty on the CIF value of sugar imports from all origins. Only those exporters who use sugar in their products, such as, candy, biscuits, waffles, etc., can import sugar and do not pay any duty on the amount of sugar used in their exported products. The import duties on products containing sugar are high and can vary between 8.3 percent and 15.4 percent plus an agricultural contribution of that can go as high as 300 Euro per one hundred kilogram depending upon the starch/glucose ratio and milk fat percentage. This contribution is adopted from the EU system.

The 2006 tariff on sugar is unchanged from 2005 for other countries (other than those countries that Turkey has trade agreements with, such as the EU and EFTA countries and Bosnia Herzegovina-- in case of sugar). The tariff rate is 135 percent on the CIF value on sugar imports for all origins now.

## Export Trade Matrix

### Turkey Sugar, Centrifugal

Time Period	Sep. - Aug.	Units:	Metric Tons
Exports for:	2004	Jan. - Dec.	2005
U.S.	18	U.S.	14
Others	Others		
Iraq	14308	Germany	3601
Azerbaijan	6183	Azerbaijan	2766
Germany	4327	Iraq	750
France	646	France	559
Northern Cyprus	569	Northern Cyprus	319
Romania	444	Pakistan	272
Lebanon	109	Lebanon	130
Israel	67	Israel	111
Kuwait	66	Kuwait	96
Libya	57	United Arab Em.	28
Total for Others	26776		8632
Others not Listed	341		140
Grand Total	27135		8786



Some sugar produced from beets, which are above the contracted level, may be sold by the TSC to exporters who use sugar in their exported products. Sugar produced from above-quota beets cannot be sold in the domestic market.

### Import Trade Matrix

#### Turkey Sugar, Centrifugal

Time Period	Sep. - Aug.	Units:	Metric Tons
Imports for:	2004	Jan. - Dec	2005
U.S.	44	U.S.	40
Others		Others	
United Kingdom	1115	United Kingdom	1687
Germany	704	Germany	1181
Netherlands	150	Belgium	1125
France	112	France	100
Denmark	83	Denmark	83
Spain	17	Spain	15
Italy	13	Italy	13
		Netherlands	10
Total for Others	2194		4214
Others not Listed			
Grand Total	2238		4254

### Stocks

Official statistics for stocks are not available. PSD stock estimates are based on information received from both public and private sources. Sugar stocks declined in recent years due to reduced production. According to industry sources, TSC will control almost all of the stocks.

### Marketing

The TSC and private producers, wholesalers, and retailers handle marketing of sugar. All SBS producers and distributors are private.